

The purpose of this document is to provide a reference to the fiscal requirements and procedures necessary for responsible financial management of all grants administered by DPI. The intent is to provide a general overview of federal requirements and assist federal program coordinators and Local Education Agency (LEA) administrators in the proper fiscal accountability for federal funds in compliance with state and federal requirements, including law, regulation and guidance. Fiscal oversight of Federal grants is assigned to the Division of School Business within the North Carolina Department of Public Instruction (DPI).

This guidance document references the Code of Federal Regulations, Uniform Guidance (UG), and the Education Department General Administrative Regulations (EDGAR). Users should refer to specific program guidelines and legislation for detailed information about the specific grant program. In such instances where state statute is more restrictive than Federal requirements, the state statute applies.

For detailed information about specific grant requirements, please contact the appropriate section as indicated below.

Elementary & Secondary Education Act (ESEA/ESSA)

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Division of Exceptional Children

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Child Nutrition Services

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21st Century Community Learning Centers

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Definitions

Federal Awarding Agency means a Federal agency that provides a Federal award directly to a non-Federal entity.

Non-Federal Entity means a state, local government, Indian tribe, institution of higher education (IHE) or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program.

Provisions and Assurances

General Provisions and Assurances

This set of provisions and assurances applies to all applicants for federally funded programs awarded after December 26, 2014.

Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion

Per 2 CFR 200.212, “Non-federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.”

This assurance certifies that neither the subrecipient nor its authorized officials are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency.

Lobbying Certification

This set of provisions and assurances applies to federal grants in excess of \$100,000 or in which a subcontract to another organization exceeds \$100,000.

This assurance certifies that no federally appropriated funds have been used to lobby Congress in connection with the making of any federal grant and the extension, continuation, renewal, amendment, or modification of any federal grant.

No Child Left Behind Act of 2001 Provisions and Assurances

This set of provisions and assurances applies to all applicants for federally funded grants funded under the Elementary and Secondary Education Act of 1965, as amended by P.L. 107-110, No Child Left Behind Act of 2001 (NCLB).

Every Student Succeeds Act Provisions and Assurances

This set of provisions and assurances applies to all applicants for federally funded grants under the Every Student Succeeds Act (ESSA).

Program-Specific Provisions and Assurances

Particular attention should be paid to the requirements contained in program specific provisions and assurances certifying that the subrecipient has read and will comply with these requirements. Please review each of these assurances carefully as you will be required to implement them and document implementation. These activities may be monitored or audited.

Use of Funds

Funds expended through grant programs administered by DPI must be used for the purposes described in the following program specific guidance:

- Purpose of program
- Description of program
- Statutory Requirements
- DPI Program Requirements

Allowable, Reasonable and Allocable Costs

Subrecipients assume responsibility for ensuring that Federal funds have been expended and accounted for consistent with program regulations and approved applications. Costs generally are categorized as either direct or indirect. All coding of direct and indirect costs should follow the DPI Chart of Uniform Accounts (COA) <http://www.ncpublicschools.org/fbs/finance/reporting/>.

- Direct costs may include salaries, fringe benefits, purchased services, supplies and equipment.
 - Direct charging of these costs may be appropriate only if all of the following conditions are met:
 - Such services are integral to a project or activity;
 - Individuals involved can be specifically identified with the project or activity;
 - Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and
 - The costs are not also recovered as indirect cost.
 - Example: Administrative or Clerical Staff [*Reference 200.413(c)*]
 - Job description could be used to meet these conditions along with time and effort documentation.
- Indirect costs are those costs which are not readily identified with the activities funded by the Federal grant or contract but are nevertheless incurred for the joint benefit of those activities and other activities and programs of the subrecipient. Accounting, auditing, payroll, personnel, budgeting, purchasing, and operation/maintenance of plant are examples of services which typically benefit several activities and programs and for which appropriate costs may be attributed to the Federal program by means of an indirect cost allocation plan. The indirect cost rate used in calculating the indirect costs depends on whether the grant is a restricted or unrestricted grant.

Reference: 2 CFR Part 200.56

Reference: 2 CFR Parts 200.413 and 200.414

Allowability

To be allowable under a Federal award, costs must meet the following general criteria and must be in a written procedure:

- Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles;
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items;
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity;

- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to a Federal award as an indirect cost;
- Be determined in accordance with generally accepted accounting principles(GAAP);
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period;
- Be adequately documented; and
- Be net of all applicable credits.

Reference: 2 CFR Parts 200.403 and 200.406

Reasonable

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. In determining reasonableness of a given cost, consideration must be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state, local, tribal, and other laws and regulations; and terms and conditions of the Federal award.
- Market prices for comparable goods or services for geographic area.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.
- Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may unjustifiably increase the Federal award's cost.

Reference: 2 CFR Part 200.404

Allocable

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to the Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- is incurred specifically for the Federal award;
- benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award.

All activities which benefit from the non-Federal entity's indirect cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

Any cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

Direct cost allocation principles state that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the

proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

Reference: 2 CFR Part 200.405

Annual Risk Assessment

Risk factors include:

| Risk Indicator | Definition |
|-------------------------------|---|
| Audit Finding | An audit finding of LEA financial records related to the applicable Federal program from the fiscal year under review or from the most recent audit |
| New Personnel | A change in the Federal grant contact personnel from the year prior to the fiscal year under review to the fiscal year under review |
| Fiscal Monitoring | Fiscal monitoring findings that resulted in a Corrective Action Plan (CAP) from an onsite review from the most recent fiscal year |
| Late Reporting | Budget or other required reporting submission not timely. |
| Financial Concerns | Identified financial concerns in the fiscal year under review, including but not limited to financial distress, impending school closure, indications of fraud/abuse, and award restrictions. |
| Timely Correction of Findings | LEA has not implemented CAP(s) on fiscal monitoring or audit findings from the most recent fiscal year within the given timeframe |

Reference: 2 CFR Part 200.331(b)(d)(1&2)

Cash Management

The Cash Management Improvement Act (CMIA) was placed in operation to prevent interest earnings on Federal funds. Section 31 CFR Part 205 “Rules and Procedures for Efficient Federal-State Funds Transfers” states that methods and procedures for payment must minimize the time elapsing between the transfer of funds from the United States Treasury to the State and ultimately to the pass-through entity. Therefore, DPI must ensure that payments to the pass-through entity are for reimbursements only. DPI must monitor payments to assure that they conform to the Federal regulations.

For example, to consider the funds “spent,” the payroll transactions should be recorded on the pass-through entity’s books and the funds delivered to the recipients.

Payment requests cannot be submitted until an initial budget application for the grant has been approved and must only include actual cumulative expenditures up to the payment request submission date.

Interest Earned

Interest earned on any Federal funds by a pass-through entity is required to be submitted at least annually to the Department of Health and Human Services (through DPI). Up to \$500 per year on all combined Federal programs may be retained by the pass-through entity for administrative expenses. It is the responsibility of the pass-through entity to document administrative expenses claimed as an interest offset.

Advance payments of federal grant funds must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements for direct program or project costs and the proportionate share of any allowable indirect costs.

LEAs must have written procedures and internal controls for cash management to ensure that only the actual amount of cash needed from federal grant funds will be requested, and that the cash received will be paid out. Cash management procedures are monitored during monitoring visits and during the annual independent audit.

LEAs receiving federal grant payments may be required to return interest earned to the appropriate federal agency, as described in the following section.

Calculating Interest

The interest calculation is the amount of the reimbursement times the annualized Federal interest rate for the fiscal year times the number of business days the funds were held until delivery. Federal interest rates are located at <http://www.fms.treas.gov/cmia/index.html> for the applicable July 1-June 30 fiscal year. If the United States Treasury has not established a current rate, use the most recent rate.

Example: ABC School District delivered payroll checks in the amount of \$100,000 on July 29; however, they requested and received reimbursement on June 22. This is in violation of CMIA rules; therefore, the calculation of the interest is:

| | |
|------------|--|
| \$100,000 | Reimbursement |
| X .0000006 | Most recent fiscal year daily Federal interest rate |
| X 25 | <u>Business days (exclude weekends and banking holidays)</u> |
| \$1.50 | Interest due |

CMIA applies to all Federal funds.

Reference: 2 CFR Part 200.305

Conferences / Meetings

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award.

Allowable conference (meeting) costs paid by the non-Federal entity as a sponsor or host of the conference may include:

- Rental of facilities
- Speakers' fees
 - Employees of LEA may not be paid a speaker fee unless specifically permitted by the authorizing statute, regulation and Department
- Costs of meals and refreshments
 - Meal costs are allowed unless specifically not permitted by the authorizing statute, regulation and Department (please contact the appropriate DPI program section for further guidance).
 - If allowed, LEA may need to provide the following documentation
 - Agenda
 - List of Attendees
 - Meal costs are reasonable and necessary based on the LEA's policies and procedures
 - Written justification to demonstrate how it meets the goals and objectives of a Federal grant
- Local transportation
- Other items incidental to such conferences

Unallowable conference (meeting) costs

- Entertainment costs
 - Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable.

Reference: 2 CFR Parts 200.432 and 200.438

Construction

A non-Federal entity may not use its grant funds for construction unless specifically permitted by the authorizing statute, regulation and Department. Prior approval must be received.

Reference: 2 CFR Part 200.439(3)

Contractor Vs. Subrecipient

Contractor

A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. Contract characteristics include:

- Provides the goods and services within normal business operations;
- Provides similar goods or services to many different purchasers;
- Normally operates in a competitive environment;
- Provides goods or services that are ancillary to the operation of the Federal program; and
- Is not subject to compliance requirements of the Federal program as a result of the agreement.

Subrecipient

A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance and creates a Federal assistance relationship with the subrecipient. Subrecipient characteristics include:

- Determines eligibility to receive Federal assistance;
- Has its performance measured in relation to whether objectives of a Federal program were met;
- Has responsibility for programmatic decision making;
- Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and
- In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

Reference: 2 CFR Part 200.330

Davis-Bacon Act

Laborers and mechanics employed by contractors or subcontractors to work on approved construction projects financed using Federal assistance must be paid wages not less than those established for the local project area by the Secretary of Labor. Prevailing wage rates are located at: <https://d4.nccommerce.com/OESSelection.aspx>.

Debarment and Suspension

Non-Federal entities and contractors are subject to the non-procurement debarment and suspension regulations implementing Executive Orders 12549 and 12689, 2 CFR Part 180. These regulations restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities. This requirement applies to goods and services

transactions expected to equal or exceed \$25,000. This requirement does not apply to employees, registrations or material and supplies.

Non-Federal entities must go to <http://www.sam.gov> or <http://exclusions.oig.hhs.gov/> to verify the status of contractors/vendors with the Federal government. To search a contractor/vendor, follow the steps listed below.

- Click on “Search Records”
- Click on “Advanced Search-Exclusion”
- Enter the social security number/tax identification number in the SSN/TIN search field

If the results indicate “No Records Found,” then the contractor/vendor is in good standing with the Federal government. The non-Federal entity should print a copy of the search results for procurement record documentation purposes.

Reference: 2 CFR Parts 180.220 and 200.212

Equipment and Real Property Management

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000.

Reference: 2 CFR Part 200.33

Acquisition cost is defined as the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment means the net invoice price of equipment including the cost of any modifications, attachments, accessories or auxiliary apparatus necessary to make it usable for the purpose for which it was acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included or excluded in the acquisition cost in accordance with the non-Federal entity’s regular accounting practices.

Reference: 2 CFR Part 200.2

The following items are subject to the inventory management and control requirements:

- 1) Equipment items with an acquisition cost of \$5,000 or more per unit, and
 - Items with an acquisition cost under \$5,000 per unit which are considered attractive or easily pilfered. These “sensitive” items include, but are not limited to:
 - audio-visual equipment
 - digital cameras
 - laptops
 - televisions
 - DVD/Blu-Ray players
 - iPads/tablets
 - cell phones
 - power tools
 - computers
 - computer accessories
 - Software
 - Software meeting the following criteria would be considered equipment:
 - Software license that is bought that costs \$5,000 or more.
 - Internally created software costing \$5,000 or more.
 - Useful life of more than one year.

Management Requirements

Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum meet the following requirements:

1) Inventory Management Controls

- a) Equipment Records must be maintained and include:
 - i) Description of the equipment
 - ii) Serial number or other identification number
 - iii) Funding source of equipment [Including Federal Award Identification Number (FAIN)]
 - iv) Located on Award Allocation Notification or
 - v) Titleholder
 - vi) Acquisition date
 - vii) Cost of the equipment
 - viii) Percentage of Federal participation in the project costs for the Federal award under which the equipment was acquired
 - ix) Location of the equipment
 - x) Use and condition of the equipment
 - xi) Any ultimate disposition data including the date of disposal and sale price of the equipment.

Reference: 2 CFR Part 200.313

- b) A physical inventory of the equipment must be taken and the results reconciled with the equipment records at least once every two years. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft must be investigated. Adequate maintenance procedures must be developed to keep the equipment in good condition.

2) Equipment Use

- a) Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency.

During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired.

- i) First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment.
 - ii) Second preference must be given to programs or projects under Federal awards from other Federal awarding agencies.
 - iii) Third preference use for non-federally-funded programs or projects.
 - iv) If original intent is to be shared by multiple programs, cost should be charged or assigned to the Federal awards or cost objectives in accordance with relative benefits received.
- b) When no longer needed for the original program or project, the non-Federal entity may transfer title to the equipment to the Federal Government or to an eligible third party provided that
 - i) The non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the equipment.

- ii) When original or replacement equipment acquired under a grant is no longer needed for the original project or program, the equipment may be transferred and used in other projects or programs currently or previously funded by the Federal awarding agency.
 - iii) The transfer of such items should be noted on the equipment inventory maintained by the non-Federal entity.
 - c) When acquiring replacement equipment, the non-Federal entity may use the equipment to be replaced as a trade-in or sell the equipment and use the proceeds to offset the cost of the replacement equipment.
- 3) Equipment Disposition
- a) When the original or replacement equipment acquired under a Federal award is no longer needed for the original project or program the non-Federal entity must dispose of the equipment as follows:
 - i) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. The disposition of such items should be noted on the equipment inventory maintained by the subrecipient.
 - ii) Items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from the sale by the Federal percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share \$500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses. Proper sales procedures must be established to ensure the highest possible return.

Reference: 2 CFR Part 200.313

- 4) Real Property Use
- a) Real property means land, including land improvements, structures and appurtenances, but excludes moveable machinery and equipment. *Reference: 2 CFR Part 200.85*
 - b) A non-Federal entity may not use its grant for real property unless specifically permitted by the authorizing statute, regulation and Department.
 - c) Real property (if approved) must be used only for the originally authorized purposes as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests.
- 5) Real Property Disposition
- a) When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from DPI. The instructions must provide for one of the following alternatives:
 - i) Retain title after compensating the Federal awarding agency.
 - ii) Sell the property and compensate the Federal awarding agency.
 - iii) Transfer title to the Federal awarding agency or to a third party designated/ approved by the Federal awarding agency.

Reference: 2 CFR Part 200.311

Financial Management Standards

Fiscal control and accounting procedures must permit the tracing of funds to a level of expenditure adequate to establish that funds have been used in accordance with the approved grant application. The financial management system of each non-Federal entity must provide for the following:

- Identification, in its accounts, of all federal awards received and expended and the federal programs under which they were received.
 - CFDA Title and Number
 - Federal Award Identification Number (FAIN)
 - Name of the Federal Agency
 - Name of the Pass-Through Entity
- Accurate, current, and complete disclosure of the financial results of each federal award or program.
- Records that identify adequately the source and application of funds for federally-funded activities.
- Effective control over, and accountability for, all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each federal award.
- Written procedures to implement the requirements payment.
(See Cash Management Section.)
- Written procedures for determining the allowability of costs
(See Allowable/Reasonable/Allocable Costs Section.)
- Grant/contract revenues, expenditures, etc. must be separately identified with codes and must not be comingled with other state, Federal, and local funds.

Failure to comply with federal financial management standards may result in audit exceptions and the disallowance of expenditures paid from the grant.

Reference: 2 CFR Part 200.302

Financial Accounting System

The LEA's financial management system must meet federal financial management standards and must provide for accurate, current, and complete disclosure of the financial results of each grant project. The financial management system records must adequately identify the funding source and use of funds and must contain information pertaining to grant awards, authorizations, obligations, unobligated balances, assets, outlays (expenditures), income, and interest.

Pursuant to Education Department General Administrative Regulations (EDGAR) 2 CFR 200.302, adequacy of the financial accounting system is determined by whether the system has the ability to do all of the following:

- Accommodate the minimum 11-digit account code mandated by the Uniform Chart of Accounts
- Generate information needed for Uniform Education Reporting System (UERS) reporting
- Ensure adequate accountability of state and federal funds

Failure of an LEA to account for funds in accordance with will result in audit exceptions and the disallowance of expenditures paid from the grant.

Fraud and Abuse

To report fraud, waste and abuse of Federal funds, contact the Office of the Inspector General (OIG) at:

Phone: 1-800-MIS-USED

Fax: 1-202-245-7047

Webpage: <https://ed.gov/about/offices/list/oig/hotline.html>

Reference: Office of Inspector General

Nondiscrimination

A non-Federal entity shall not discriminate on the basis of race, color, national origin, sex, handicap, or age in its programs or activities.

Reference: 34 CFR Part 76.500

Obligation

Each Federal grant has a period for which funds can be obligated and expended. When a grant is awarded, it is important to note what the approved project period is and the time frames for which obligations may be incurred and liquidated. Where a funding period is specified, a subrecipient may charge to the award only costs resulting from obligations incurred during the funding period. Also, if authorized by the applicable Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period.

| If the Obligation Is For: | The Obligation Is Made: |
|---|--|
| Acquisition of real or personal property | On the date of which the subrecipient makes a binding written commitment to acquire the property. <i>(Including materials/supplies and miscellaneous items such as meeting registrations.)</i> |
| Personal services by an employee of the subrecipient | When the services are performed |
| Personal services by a contractor who is not an employee of the subrecipient | On the date of which the subrecipient makes a binding written commitment to obtain services |
| Performance of work other than personal services | On the date on which the subrecipient makes a binding written commitment to obtain the work |
| Public utility services | When the subrecipient receives the services |
| Travel | When the travel is taken |
| Rental of real or personal property | When the subrecipient uses the property |
| A pre-agreement cost that was properly approved by the State under the cost principles. | On the first day of the grant performance period |

Formula Grant

If the authorizing statute for a program requires a state to make subgrants on the basis of a formula, the state may not authorize an applicant for a subgrant to obligate funds until the later of the following two dates:

- The date that the State may begin to obligate funds
- The date that the subrecipient submits its application to the state in substantially approvable form.

Competitive Grant

If the authorizing statute for a program gives the state discretion to select subrecipients, the state may not authorize an applicant for a subgrant to obligate funds until the subgrant is made.

Period of Availability

All obligations and encumbrances of funds for this program must occur on or after the effective date of the application (the date the application was received or the first day of the grant availability period, whichever is later) unless pre-award costs are expressly permitted for the individual grant program and within the grant beginning and ending dates listed on the NOGA.

Reference: 34 CFR Part 76.707 and 2 CFR Part 200.309

Political Activity

Federal funds cannot be used for partisan political purposes of any kind including advocacy by any person/organization involved in the administration of federally assisted programs.

Reference: Hatch Act (5 U.S.C. 1501-1508) and Intergovernmental Personnel Act of 1970, as amended by Title VI of Civil Services Reform Act and Public law 95-454 Section 4728 and 2 CFR Part 200.450

Procurement

General Procurement Standards

Procurement standards apply to the purchase of supplies, equipment, construction (if approved) and other services funded in whole or in part by Federal grant funds. These standards should be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity and include the following:

- Non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law.
- Non-Federal entity must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.
- The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts.
 - No employee, officer, or agent may participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.
 - Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
 - The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.
- If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state or local government, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest.
- The non-Federal entity must avoid acquisition of unnecessary or duplicative items.
- The non-Federal entity is encouraged to enter into state and local intergovernmental agreements for use of common or shared goods and services.
- The non-Federal entity is encouraged to use Federal excess and surplus property.

- The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects.
- The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement.
- The non-Federal entity must maintain records sufficient to detail the history of procurement. The records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.
- The non-Federal entity must be responsible for the settlement of all contractual and administrative issues arising out of procurements.

Reference: 2 CFR Part 200.318

Competition

All procurement transactions must be conducted in a manner providing full and open competition. Situations considered to be restrictive of competition include but are not limited to:

- Placing unreasonable requirements on firms in order for them to qualify to do business.
- Requiring unnecessary experience and excessive bonding.
- Noncompetitive pricing practices between firms or between affiliated companies.
- Noncompetitive contracts to consultants that are on retainer contracts.
- Organizational conflicts of interest.
- Specifying only a “brand name” product instead of allowing “an equal” product to be offered.
- Any arbitrary action in the procurement process

The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured.
- Identify all requirements which the offerors must fulfill and all factors to be used in evaluating bids or proposals.

The non-Federal entity must ensure all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition.

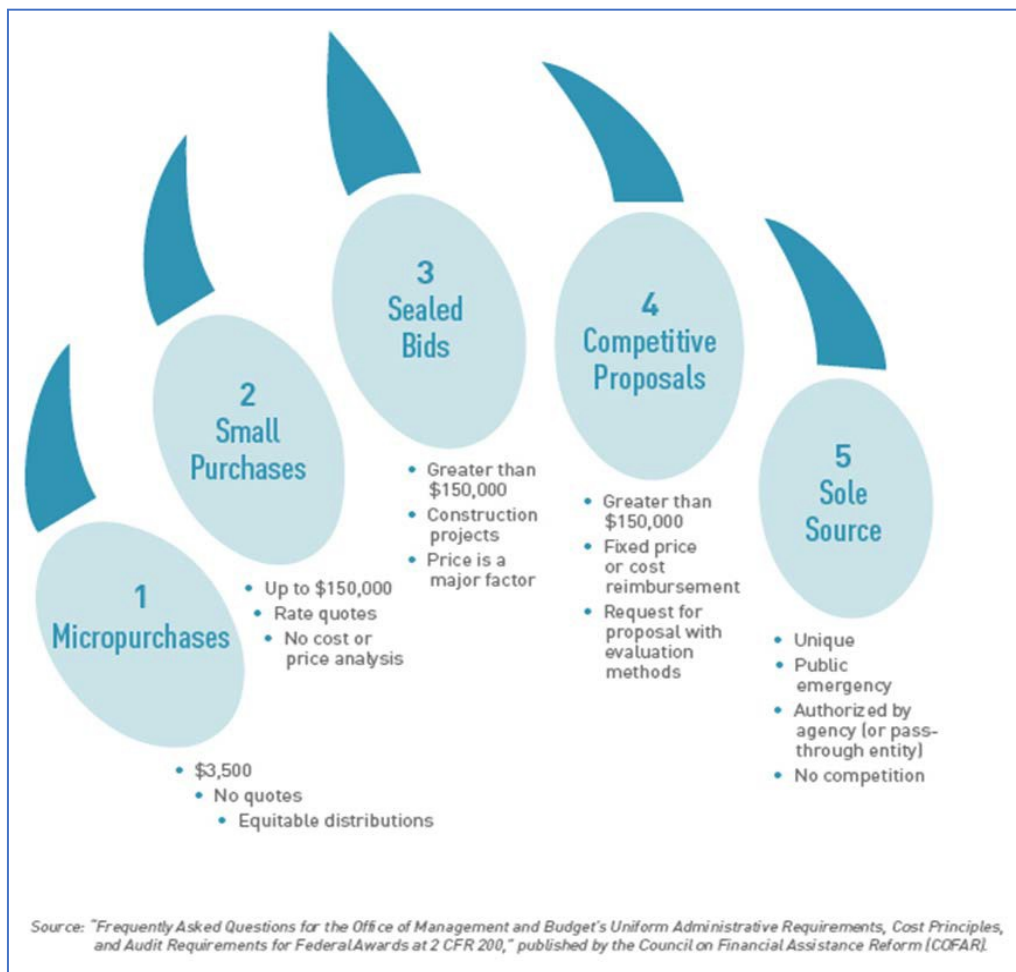
Reference: 2 CFR Part 200.319

Methods of Procurement

The non-Federal entity must use one of the following methods of procurement (see Procurement Claw below) or be more restrictive with their policies:

- Micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services which are less than \$10,000. This purchase may be awarded without soliciting competitive quotations.
- Small purchase procedures. Small purchase procedures are those simple and informal procurements for securing services, supplies or other property that cost between \$10,001 and \$250,000. Price and rate quotations must be obtained from at least two qualified sources.

- Sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract is awarded. The sealed bid method is preferred for procuring construction.
- Competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an offer and either a fixed price or cost-reimbursement type of contract is awarded.
- Noncompetitive proposals. This is the solicitation of a proposal from only one source and may be used only when one or more of the following applies: The item is available only from a single source; the public emergency for the requirement will not permit a delay; the pass-through entity authorizes noncompetitive proposals in response to a written request; and/or after solicitation of a number of sources, competition is determined inadequate.



Reference: 2 CFR Part 200.321

Contracting with Small and Minority and Women's Businesses

The non-Federal entity must take all necessary affirmative steps to assure that minority, women, and labor surplus area firms are used when possible.

Reference: 2 CFR Part 200.321

Program Income

Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income shall be deducted from reimbursements unless the Federal awarding agency regulations or the grant agreement specify another alternative.

Reference: 2 CFR Parts 200.80 and 200.307(e)

Record Retention

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report.

If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and the final action taken.

Records for real property and equipment acquired with Federal funds must be retained for three years after final disposition.

Reference: 2 CFR Part 200.333

Single Audit

Effective for fiscal years starting after December 26, 2014, the non-Federal entity that expends \$750,000 or more during that fiscal year in Federal awards must have a single or program-specific audit conducted for that year.

Reference: 2 CFR Part 200.501

When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS – Generally Accepted Government Auditing Standards.

Reference: 2 CFR Part 200.509

The auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended. The schedule should include the individual Federal programs separately or within a cluster of programs.

Reference: 2 CFR Part 200.510

At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings a corrective action plan to address each audit finding included in the current year auditor's report.

Reference: 2 CFR Part 200.511

Supplement Not Supplant Requirement

Under the Federal "supplement, not supplant" requirement, non-Federal entities may use Federal funds only to supplement and, to the extent practical, increase the level of funds that would, in the absence of

the Federal funds, be made available from non-Federal sources for the education of participating students. In no case may non-Federal entities use Federal program funds to supplant (take the place of) funds from non-Federal sources.

Please contact the appropriate DPI program section for program specific supplement, not supplant guidance.

Supplanting is presumed to occur in the following instances:

- The non-Federal entity uses Federal funds to provide services that it is required to make available under other Federal, state or local laws.
- The non-Federal entity uses Federal funds to provide services that were provided with non-Federal funds in the prior year.

These presumptions are rebuttable if the non-Federal entity can demonstrate that it would not have provided the services in question with non-Federal funds had the Federal funds not been available. For example, a non-Federal entity in the past year had used state or local funds to pay the salaries of certain personnel. The non-Federal entity then experiences significant loss of revenue. In the next year that non-Federal entity may be able to demonstrate that the use of current year Federal program funds to pay for the salary costs would not be supplanting because, without the Federal funds, it would not have the resources needed to maintain these positions. This exception can also be used where the services are mandated by state law, but the state provides no funds for it.

When using this rebuttable exception, it is very important that the non-Federal entity maintains good fiscal records and documentation from their Management (School Board, Board of Directors, Authorized Representatives, etc.) that will permit an auditor or program monitor to conclude that they have not supplanted.

In particular, a non-Federal entity that believes it could not maintain services previously paid with state or local funds had Federal program funds not been available should:

- 1) Be able to demonstrate a decrease of state and local funds from the prior year, and the maintenance or increase in standard operating costs (salaries, benefits, supplies, etc.) from the prior year;
-OR-
- 2) Be able to demonstrate that any increase in state and local funds is less than increases of the standard operating costs, and state/local funds have not been redirected to a new activity;
-AND-
- 3) Be able to demonstrate that Management is on record as deciding to eliminate the activity under question unless a new source of funds is made available from non-state and non-local funds (in the absence of state and local funds), and the activities to be funded under a particular Federal program are clearly consistent with the purpose of that program.

For US Department of Education Federal Programs that have supplement, not supplant requirement (Restricted Rate Programs), please refer to US Department of Education <https://www2.ed.gov/about/offices/list/ocfo/restrate.html>

Reference: Specific Program Requirements

Supplies

Title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate value upon termination or completion of the project

or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share.

Reference: 2 CFR Part 200.314

Time and Effort

Uniform Guidance does not explicitly require semi-annual certifications or PAR reports as support for compensation expenses. However, the North Carolina Department of Public Instruction strongly recommends that all LEAs continue to use their current internal control system of semi-annual certifications, PAR reports, or approved substitute systems. Continuing with the current system will ensure compliance with Uniform Guidance.

Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements noted below and that the total compensation for individual employees:

- Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.
- Follows an appointment made in accordance with the non-Federal entity's laws or written policies.
- Is determined and supported by appropriate documentation.

Documentation of Personnel

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, allowable and properly allocated.
- Be incorporated into the official records of the non-Federal entity.
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities.
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy.
- Comply with the established accounting policies and practices of the non-Federal entity.
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases.
- Budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes.
- Records may reflect categories of activities as a percentage distribution of total activities.

Semi-Annual Certification:

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on

that program for the period covered by the certification. These certifications are required to be prepared at least semi-annually.

Monthly Personnel Activity Report:

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports (PARs). Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Substitute System for Time and Effort:

State educational agencies (SEAs) are authorized to approve local educational agencies (LEAs) to use a substitute system for time-and-effort reporting in accordance with the following guidelines. In permitting an LEA to use the substitute system, the SEA must obtain from the LEA a management certification certifying that only eligible employees will participate in the substitute system and that the system used to document employee work schedules includes sufficient controls to ensure that the schedules are accurate. Substitute system guidelines include:

- 1) To be eligible to document time and effort under the substitute system, employees must:
 - a) Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports;
 - b) Work on specific activities or cost objectives based on a predetermined schedule; and
 - c) Not work on multiple activities or cost objectives at the exact same time on their schedule.
- 2) Under the substitute system, **in lieu of personnel activity reports**, eligible employees may support a distribution of their salaries and wages through documentation of an established work schedule that meets the standards under section (3). An acceptable work schedule may be in a style and format already used by an LEA.
- 3) Employee schedules must:
 - a) Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule;
 - b) Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and
 - c) Be certified at least semiannually and signed by the employee and a supervisory official having firsthand knowledge of the work performed by the employee.
- 4) Any revisions to an employee's established schedule that continue for a prolonged period must be documented and certified in accordance with the requirements in section (3). The effective dates of any changes must be clearly indicated in the documentation provided.
- 5) Any significant deviations from an employee's established schedule, that require the employee to work on multiple activities or cost objectives at the exact same time, including but not limited to lengthy, unanticipated schedule changes, must be documented by the employee using a personnel activity report that covers the period during which the deviations occurred.

Stipends and Extra-Duty Pay

When a non-Federal entity pays for extra work beyond an employee's regular contract, then the non-Federal entity must develop beforehand written documentation that indicates the extra work to be performed, the date(s) of performance, and the amount or rate to be paid to the employee. A contract if established must also be signed by the non-Federal entity and the employee to show the acceptance of the terms.

In addition, the employee must complete time and effort documentation that supports the extra work beyond the employee's regular contract. This documentation could be a semi-annual time certification or monthly personnel activity reports.

Reference: 2 CFR Part 200.430

| Cost Objective | Criteria | Documentation Required |
|--|--|---|
| Single Cost Objective | Employee works solely on a single Federal award or cost objective. | <u>Semi-annual certification</u> <ul style="list-style-type: none"> Must be prepared at least semi-annually; and Must be signed after-the-fact by the employee or a supervisory official having firsthand knowledge of the work performed by the employee. |
| Multiple Cost Objectives | <ul style="list-style-type: none"> More than one Federal award; Federal award & non-Federal award; Indirect cost activity & direct cost activity; Two or more indirect activities that are allocated using different allocation bases; or Unallowable activity & a direct or indirect cost activity | <u>Personnel activity reports (PAR)</u> <ul style="list-style-type: none"> Reflect an after-the-fact distribution of the actual activity of the employee; Account for the total activity for which each employee is compensated; Be prepared at least monthly & coincide with one or more pay periods; and Must be signed after-the-fact by the employee & a supervisory official having firsthand knowledge of the work performed by the employee. |
| Multiple Cost Objectives with Fixed Schedule (Substitute System) | <ul style="list-style-type: none"> Currently work on a schedule that includes multiple activities or cost objectives that must be supported by monthly personnel activity reports; Work on specific activities or cost objectives based on a predetermined schedule; and Not work on multiple activities or cost objectives at the exact same time on their schedule. | <u>Substitute System</u> <ul style="list-style-type: none"> Indicate the specific activity or cost objective that the employee worked on for each segment of the employee's schedule; Account for the total hours for which each employee is compensated during the period reflected on the employee's schedule; and Be certified at least semi-annually & signed by the employee & a supervisory official having firsthand knowledge of the work performed by the employee. |
| Stipend and Extra Duty Pay | Pay for extra work beyond an employee's regular contract | <u>Written Agreement</u> <ul style="list-style-type: none"> Indicates the extra work to be performed; Date(s) of performance; Amount to be paid to the employee; and Must be signed by the employer & the employee to show the acceptance of the terms. <p>AND</p> <ul style="list-style-type: none"> Semi-annual Certification or PAR See and follow requirements above |

Travel Costs

General

Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity.

Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies.

Lodging and Subsistence

Costs incurred by employees for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy.

In addition, if these costs are charged directly to the Federal award documentation must justify that:

- (1) Participation of the individual is necessary to the Federal award; and
- (2) The costs are reasonable and consistent with non-Federal entity's travel policy.

Documentation could include any or all of the following:

- Agenda
- Prior Written Approval
- Written Justification Statement

Dependent Care

A non-Federal entity may not use its grant funds for temporary dependent care costs unless specifically permitted by the authorizing statute, regulation and Department.

Reference: 2 CFR Part 200.474